EXHIBIT 3

Third Balance

Overview
If a loan is in danger of going to insurance claim, a payment is made on the student's behalf. This payment is referred to as forbearance. When a forbearance payment is applied to the loan it is treated as a regular payment collecting interest, principal and advancing the due date. The student is required to repay these funds before any funds will be applied to the loan. All screens displaying student balance information represents the loan with forbearance payments applied.

The Third Balance introduced with SFC2000 version 3.0 will reflect the loan without forbearance payments. It will reflect the true delinquency of the loan displaying history and balance information as if forbearance payments were never applied.

Payment Processing
> When a forbearance payment (TC12) is applied, it will update and reflect changes to the Student and Audit Balance but not to the Third Balance.
> When a payment, such as TC10, TC14, TC16 is applied forbearance due will be collected before any funds are applied to the Student or Audit Balance. Since forbearance is not reinstated on the Third Balance, the funds collected will be applied to the loan.

Student Balance:
Regular Payment $100.00 Due Date 10/1/01 Forbearance Due: $110.00

Third Balance:
Regular Payment $100.00 Due Date 9/1/01 Forbearance Due: $0.00

Payment sent by student $125.00

Student and Audit Balance

Tran Code	FB reinstate	Prin Amt	IntAmt	Due Date	Total Amount
10	110.00	0.00	15.00	10/1	125.00

Third Balance

Tran Code	FB reinstate	Prin Amt	IntAmt	Due Date	Total Amount
10	0.00	50.00	75.00	10/1	125.00

Screen Changes
> History screen will contain a radio button to display the Third Balance history. All fields are the same as Student and Audit history.
> Maintenance screen will contain a tab Audit/ThirdBalance. Some basic loan maintenance information is displayed on this tab.
> Collection Screen will display "Days Past Due" and "Due Date" based on Third Balance data.
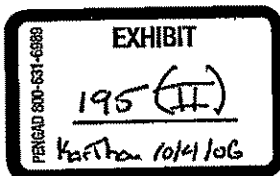
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Tuition Reimbursement

Posting a Tuition Reimbursement Transaction

When processing a Tuition Reimbursement transaction (TC14) the payment-processing screen will default to a **Payment Type** of Employer.
The user is required to enter an employer name in the **Employer** drop down box when a **TransCode** of 'Tuition Reimbursement' is selected.

Once the Tuition Reimbursement transaction is posted the Employer name will be displayed on the Transaction History screen.

If a Late Fee was charged on an account within 30 days prior to the Tuition Reimbursement, the TC14 will automatically refund the fee. This refund will credit the fee due on the student's account, however there will not be an entry displayed in the transaction history.

If the TC14 is reversed the fee will not be charged back to the account at this time. The fee charge back will be addressed in a future release.

Statements

The statement will display the employer name and the total tuition reimbursement payment amount applied during the month.

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Future Payments

Overview

The objective of future payments is to provide a means for a student to submit multiple payments while continuing to allow SFC to collect a payment each month.

When a student makes an extra payment, the future payment option will hold this money in a 'future payment' field until the second business day of the next month. At that time, a monthly process will be executed (TC104) and the funds will be moved from the 'future payment' field and applied to the loan.

Process

A Regular payment (TC10) and a Tuition Reimbursement (TC14) are the only transactions which will accept a future payments.

A check box has been added to the monthly billing notice.
   ➢ The student will check this box to indicate that the excess funds are to be applied to future payments.
   ➢ When this box is checked, the payment-processing department will check the 'Future Payment' box on the payment-processing screen.
   ➢ The system will then determine the amount of excess funds (if any) and apply the excess funds to future payments.
   ➢ There is no limit to the amount that may be placed in future payments.

New Loans

A payment voucher will be included with all new contracts. This voucher will have a check box, which indicates funds should be placed in future payments. When a payment is processed on a new loan and the future payment box is checked, all funds will be applied to future payments. On the second business day of the month, one regular payment will be transferred from future payments and applied to the loan. This process will be repeated on the second business day of each month until the future payment funds are depleted.

In the case of either new or existing loan, if excess funds are received and the future payment box is **not** checked, all funds will be applied to the loan as it works today and nothing will be held in future payments.

Restrictions

> The loan must be current, or the payment applied will bring the loan current before funds may be placed in future payment.

> The loan assigned to a collection agency or charged off will not accept future payments.

Monthly Process

> On the second business day of each month after the lock box payments are processed and before the monthly statements are generated the future payment transfer program will be executed. This program will generate a transaction code TC104 and transfer funds from the future payment balance to the loan. This amount will be displayed as a negative value in the 'FuturePmt' column. One regular payment will be transferred. If less than one regular payment is available in future payments, then the remaining balance of future payments will be transferred. If multiple regular payments are applied to future payments, the funds will be applied to the loan in the order which they were received (first in, first out).

Split Payment: Regular Payment 78.00   Starting Due Date 8/1/01

	Tran Date	Tran Code	PrinAmt	IntAmt	Due Date	Future Pmt	Future Result Bal	Total Amount
A	8/1/01	10	25.00	53.00	9/1	100.00	100.00	178.00
B	8/15/01	10	0.00	0.00	9/1	50.00	150.00	50.00
C	9/2/01	104	26.00	52.00	10/1	-78.00	72.00	0.00
D	10/2/01	104	0.00	22.00	10/1	-22.00	50.00	0.00
E	10/2/01	104	21.00	29.00	10/1	-50.00	0.00	0.00

A Payment applied funds to the loan and to future payment
B All funds are applied to future payments
C Monthly transfer on 9/2 uses the funds from the 8/1 payment
D Monthly transfer on 10/2 depletes the funds from the 8/1 payment
E Monthly transfer again on 10/2 using the funds from the 8/15 payment

Notice that the Total Amount when processing a TC104 is zero. This is because no money is received when a TC104 is processed; it was received in a prior transaction.

Transfer results in Payoff
If the transfer results in the loan being paid off and excess funds exist in future payments, the funds will remain until the next monthly transfer. The following month, the funds will be applied to the loan as excess and may be returned to the student via normal procedures.

Reversal
A TC105 is used to reverse a TC104 transaction.

New Loans
All new loans have an original payment date; this is the date in which the first payment is due. The original payment date is equal to the due date until the first payment is made, then the due date is advanced. For new loans, if the monthly procedure is executed prior to the original payment date the transfer will not be processed.

Loan Open Date 7/25/01
Original Payment Date 9/1/01
Due Date 9/1/01
Regular Payment 100.00

	TranDate	Tran Code	PrinAmt	IntAmt	Due Date	Future Pmt	Future Result Bal	Total Amount
A	7/28/01	10	0.00	0.00	9/1/01	200.00	200.00	200.00
B	8/2/01	104	Skipped					
C	9/2/01	104	20.00	80.00	10/1/01	-100.00	100.00	0.00
D	10/2/01	104	20.00	80.00	11/1/01	-100.00	0.00	0.00

A Payment applies all funds to future payment
B Monthly transfer is skipped because the Original Payment Date has not been reached.
C Monthly transfer on 9/2 transfers applies one regular payment
D Monthly transfer on 10/2 applies one regular payment and depletes the funds.

Reversals
If the transaction (TC10/ TC14), which created future payment funds is reversed, all TC104 transactions related to the initial TC10/TC14 transaction will automatically be reversed as well.

If the reversal causes the loan to be delinquent with funds remaining in future payments the reversal will trigger a TC104 and transfer funds from future payments to bring the loan current (or less delinquent).

Regular Payment: 78.00   Starting Due Date 8/1/01

	TranDate	Tran Code	Prin Amt	IntAmt	Due Date	Future Pmt	Future Result Bal	Total Amount
A	8/1/01	10	25.00	53.00	9/1	100.00	100.00	178.00
B	8/15/01	10	0.00	0.00	9/1	50.00	150.00	50.00
C	9/2/01	104	26.00	52.00	10/1	-78.00	72.00	0.00
D	9/16/01	105	26.00	52.00	9/1	78.00	150.00	0.00
E	9/16/01	11	25.00	53.00	9/1	-100.00	50.00	0.00
F	9/16/01	104	0.00	50.00	9/1	-50	0.00	0.00

E TC10 from 8/1 is reversed. System will automatically generate a TC105 (D) to reverse the TC104.
F After the reversal the loan is delinquent with funds in future payment, therefore the system issues a TC104 and transfers funds from future payments to the loan.

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Determining the amount to apply to future payments

The system will determine the amount to be applied to future payments by taking the Total amount received less the Total Due.

Total Due is a calculation of Payment Due + Fees Due + Forbearance Due.

Example:

Payment Due	67.00
+ Fees Due	3.00
+ Forbearance Due	134.00
= Total Due	204.00

In order for funds to be applied to future payments the Total amount received must be greater than $204.00.

Amount Received	Total Due	Future Box Checked	Amount applied To loan	Amount applied To future payment
200.00	204.00	Yes	200.00	0.00
204.00	204.00	Yes	204.00	0.00
250.00	204.00	Yes	204.00	46.00

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Payment Processing

Enhancements

Transaction Level Security

Payment processing TransCode drop down box will be limited by the transactions the user is able to perform.

> ➤ General employees will have access to: Regular Payments, Tuition Reimbursements and Agency Payments.
> ➤ Supervisors will have access to all general employee payments, in addition to Payoff and Settlement transactions.
> ➤ Managers will have access to all general and supervisor TransCodes in addition to SFC Charge Off transaction.

Loan Payoff

The payoff transaction (TC50) will collect forbearance due first, then apply funds to interest and principal. In addition, an edit check has been added so the small business charge off amount cannot be greater than $10.00. If the user is performing a small business charge off and the amount is greater than $10.00 the system will prevent the transactions. The user should contact the department manager.

The transaction code for the small business charge off has changed from a TC99 to a TC58. The reversal of the small business charge off will be a TC59.

Adjustments

Credit/Debit to Principal and Interest are normally non-cash transactions and will default to a type of 'adjustment'. If necessary; the user may override this default and perform a cash transaction. These transactions do not adjust the loan due date. An edit check has been added so that the principal and interest adjustment may not be greater then the current principal balance or the current interest due. The resulting balance after the transaction cannot be less than zero.

Bumping the Due Date

Prior to version 3.0 the due was permitted to advance 3 months into the future. This has been changed to 2 months with the new release.

Settlement

The settlement was not restricting the due date from advancing more than 2 months into the future. With version 3.0, when a settlement is posted the due date will not advance greater than 2 months into the future. When a settlement is reversed it will set the loan status back to active and payments will be allowed.

Accrued Interest

Interest will not accrue on loans, which are flagged as SFC Charge off, Bankrupt or Deceased. The interest previously accrued will be collected, but additional interest will not accrue.

Bug Fixes

> ➤ Small business charge off (TC58) will be permitted if the Interest Past Calculated Not Paid is negative and the Principal Balance is greater than zero.
> ➤ An edit check has been added which will prevent the TranDate from being prior to the Loan OpenDate.
> ➤ If the TranDate of a transaction is less than the last pay date (interest date), the last pay date will not be updated. This caused the student to be charged too much interest.
> ➤ Principal and interest adjustment will set the debtor paid flag if appropriate.

Payment processing screen changes

Left side of screen

TransCode

List of transaction codes that you are authorized to perform. Some transaction codes have a default Payment Type. See Payment Type for a description.

TransCode	Default Payment Type
Regular Payment	None
Settlement adjustment	None
Payoff	None
SFC Charge Off	None
Agency Payment	Collection Agency
Employer	Employer
Credit/Debit Principal	Adjustment
Credit/Debit Interest	Adjustment
Credit/Debit Fees	Adjustment

Employer

Drop down box listing all employers participating in the Tuition Reimbursement program. This field is only active and required when the TransCode is a Tuition Reimbursement.

Use the same Payment Type for all payment

Check box to indicate the same payment type should be used for all transactions in the batch. If the user checks the box, they must indicate the specific payment type to be used from the Type drop down box.

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Type   Payment Type describes the method or type of payment. This field will remain
                  inactive unless the check box 'Use the same Payment Type for all payments" is
                  selected. Valid payment types are:
                      ➢ Check
                      ➢ Cash
                      ➢ Money Order
                      ➢ Collection Agency
                      ➢ Employer
                      ➢ School Payment
                      ➢ Adjustment

                  The payment type will default based on the TransCode however the user may
                  override the default by selecting another value from the drop down box. Once the
                  transaction is posted the payment type will be displayed on the transaction
                  history screen, so that the user may identify the method of each payment.

Right side of screen

Future Payment

                  A checkbox used to indicate if funds should be applied to future payments. The
                  loan must be current in order for funds to be placed in future payments. The
                  system will determine if funds are eligible for future payments. See Future
                  Payments for details on this feature.

Payment Type

                  Method of payment received. The default is based on what the user entered on
                  the left side of the screen. The user may override per detail line, if applicable.

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History screen changes

History display
New fields on the history display are:
- Radio button - display Third Balance history
- Fee Pd Adj – Will be used in Third Balance history for fee adjustments.
- Future Pmt – amount of funds applied to future payments
- Future Pmt Balance – resulting balance of future payment funds after the payment/reversal has been posted.
- Reversal reason – reason for reversal, described below.
- PrinBal – resulting principal balance after the payment/reversal has been posted. All transactions prior to version 3.0 will display a blank in this field.
- Employer – employer name if the payment transaction was a tuition reimbursement
- Payment ID – method of payment received

Reversals

<u>Reason</u>
When a transaction is reversed the user must select a reversal reason from the drop down box located at the bottom of the screen. This is a required field and the reason selected will be displayed on the transaction history.

If the reason of 'insufficient funds' is selected, the system will automatically check the NSF box. To override the NSF fee, the user must uncheck the box. If the fee is assessed, an NSF notice will be automatically generated.

<u>Reversing a transaction on an account with excess</u>
If there is an un-reversed transaction, which created excess, no other reversal can be performed until the excess transaction is reversed. The excess transaction must be reversed first, followed by the transaction, which the user wishes to reverse. Finally the transaction, which created excess, must be reapplied (if necessary)

Example – user needs to reverse the 7/1/01 payment

TC10 $125.00   tran date 7/15/01 funds applied to principal, interest and **excess**
TC10 $100.00   tran date 7/1/01   funds applied to principal and interest

User must reverse as follows:
TC11 $125.00   tran date 7/15/01 reverse the transaction that created excess
TC11 $100.00   tran date 7/1/01 reverse the 7/1/01 payment
TC10 $125.00   tran date 7/15/01 reapply the funds

NSF fees
The amount of NSF fee is determined by the contract. Although the most common NSF fee is $10.00, it is possible for the NSF fee amount to be different for every state. Based on the state in which the school is located, the system will automatically determine the fee amount. The amount may very from $10.00 to $27.00

Collections

Collections

1. Employer Phone No has been added
2. #Returned Checks: has been added, this field is updated each time a reversal is processed with a reason of Insufficient funds.
3. Third Balance – Pay Due Date and Days Past Due is taken from the Third Balance information and represents the true delinquency as if forbearance payments were not applied.

Collection Memo

Display correction:
The 'Result of Contact' of 'Invalid Phone#' triggered by Davox was displayed as 'Send to Riskwise' on the Collections Log of the Collection screen. This problem has been corrected.

Audit/Third Balance

A new tab has been been added to the Loan Maintenance screen. This screen will displays loan information from the Audit Balance and Third Balance.

Bankruptcy

The new bankruptcy screen is selected from the Person Maintenance on the navigation page. Those users who are members of 'Collection Support' will have access to this screen. This screen will enable the user to flag a <u>student or cosigner</u> as bankrupt. The bankrupt information added on this screen will update the loan maintenance. The check box on the loan maintenance screen will be grayed out. All modifications must be done from the new bankruptcy screen.

If a bankruptcy has been flagged in error, remove it by selecting the last item from the drop down box "Unable to determine status or flagged in error".

Each time a flag is placed or removed it will be displayed on the bankruptcy screen to provide a maintenance history.

When an account is flagged as bankrupt the mail hold flag will automatically be set. If the user would like to remove the mail hold flag, do so through the loan maintenance screen.

The 'Current Bankrupt Status' indicates if bankruptcy type will set the account to bankrupt or not bankrupt.

Search

The Search screen from the Loan Maintenance will allow the user to enter the SSN of the cosigner in order to select a student's account. This is also true from the find option on the bankruptcy screen.

The find option on the Collection screen will not accept a cosigners SSN. This will be added with the next release.

Marketing

School Plan Enhancements

The user may modify the values in the following fields from the school plan maintenance screen. To change the value, click on the field and type the new value.

> Initial Advance
> Midpoint Advance
> APR may be 0 for risk class 298
> Cap Mailing
> Decision

School Services

Funding enhancements

Risk Class drop down box will allow the user to modify the risk class at the student level. The modification of the risk class does not update the funding parameter's. These parameters must be adjusted by the user and they must total 100%. A RiskClass Comment is required when modifying funding parameters.

Funding Type (Regular Funding vs. Flex Funding program) is now displayed on the screen. This information cannot be modified.